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Danielle Wood
Chair
Productivity Commission
Submitted via the online portal

Dear Ms Wood,

Letter of Submission: Productivity Commission – Housing Supply Regulation Inquiry

Thank you for the opportunity to provide a submission to the Productivity Commission in relation to its current public inquiry into housing supply regulation.

Our expertise

For context, Create Advisory is an expert infrastructure advisory firm specialising in strategy, economics and commercial advice. We advise clients on macro regulatory and market settings right through to the performance and delivery of individual projects.

We support the important focus of the inquiry and the task before the Productivity Commission to further interrogate regulatory issues restricting new housing supply across Australia.

Given the breadth of matters before the Committee and the recent focus of advocacy and research bodies on planning system barriers, this submission concentrates on insights drawn from our core expertise at the intersection of land use, infrastructure and housing across Australia.

Notwithstanding, we would be pleased to engage directly with the Productivity Commission to share further insights on broader housing supply and regulatory system issues informed by our work across multiple Australian jurisdictions.

Our view

For the purposes of this submission we focus on the disconnect in infrastructure planning to match growth and how this materially impacts bringing on new housing at the take up rate often assumed in strategic planning.

The priority barriers at play pervade nationally across jurisdictions, though are born out differently in practice due to the design and function of the bespoke planning and infrastructure systems in each state and territory.

Broadly, the national issues fall into four core themes as follows:

- **Issue 1: Disconnected land-use and infrastructure strategy** where land-use assumptions are routinely misaligned with actual network capacity, inflating supply pipelines by relying on theoretical capacity rather than feasible, serviced land.
- **Issue 2: Decoupled infrastructure delivery from sequenced development** resulting in lack of timely enabling infrastructure characterised by public entities overpaying for assets, markets undersupplying housing that meets demand and missed opportunities to sequence growth efficiently.
- **Issue 3: Inconsistent and inefficient infrastructure charging frameworks** with uneven 'need and nexus' tests, tightening budget constraints and weak feasibility settings create ongoing re-prosecution of who funds essential upfront infrastructure and when.
- **Issue 4: Fragmented post-approval systems** meaning that once a development is approved, downstream and disconnected utility and regulatory processes still slow conversion of land into serviced, turnkey housing supply.

Our experience across multiple juridictions in Australia and operating within their bespoke planning, development and infrastructure settings has informed the analysis in this submission and enabled identification of eight (8) recommendations across the four (4) themes.

The **recommendations** are summarised as follows:

Theme 1: Integrated land use and infrastructure strategy

- **Recommendation 1.1:** Leverage technology for dynamic modelling to inform realistic supply pipelines
- **Recommendation 1.2:** Performance-based funding for jurisdictions using integrated land use and infrastructure modelling to track realistic supply
- **Recommendation 1.3:** Set a minimum standard for the capture and reporting of supply pipelines based on realistic take up rates, not theoretical capacity

Theme 2: Coupling infrastructure delivery with sequenced development

- **Recommendation 2.1:** Reward sequenced development with incentives that improve project feasibility and carry a "use it or lose it" condition
- **Recommendation 2.2:** Increased agency accountability for delivering in line with planned commitments to limit rising costs due to delays

Theme 3: Consistent and efficient infrastructure charging frameworks

- **Recommendation 3.1:** Calibrate charging rates for sequenced versus out-of-sequence development
- **Recommendation 3.2:** Set a standard for equitable and efficient infrastructure charging frameworks
- **Recommendation 3.3:** Seed fund a revolving facility with the Federal Government's $2 billion commitment to enabling infrastructure

Theme 4: Coordinated post-approval systems

- **Recommendation 4.1:** Set a minimum standard for monitoring performance of approvals across the entire development and permit approval lifecycle

Our analysis

This section steps through four (4) systemic issues present across each bespoke jurisdictional planning and development system that serve to limit and constrain new housing supply.

Issue 1: Disconnected land use and infrastructure strategy

The issue:

There is a very real disconnect that occurs between land use planning at the front end (mainly given effect through strategic planning exercises which determine zoning and other site-specific constraints such as overlays) and quality infrastructure and service network planning and data.

In practice, this means that zoning changes may be made without genuine staging and sequencing information which reflects the genuine ability for development to be realised through the adequate infrastructure and servicing. This results in a persistent issue across Australia's states and territories whereby static plans are used to determine supply pipelines with a flawed method. The incongruence plays out due to reliance on theoretical capacity assumptions over more dynamic modelling that accounts for zoning, feasibility and serviceability to determine realistic take up rates for development.

This is a fundamental front-end system failure where decisions about land use and growth are being driven by unreliable evidence. Subpar, outdated or incomplete inputs are often shaping strategic planning, resulting in decisions being made on inaccurate information. These decisions then cascade through the entire housing pipeline, compounding impact over time.

The dynamics:

- Land use planning is routinely decoupled from infrastructure reality, with zoning changes often made without credible staging, sequencing or serviceability information.
- Static and time damaged planning instruments inflate supply pipelines by relying on theoretical capacity rather than feasible, serviced and developable land.
- Infrastructure network data remains opaque and inconsistent including capacity, constraint and upgrade information not being transparent or readily available for use in planning and development decisions.

- Growth and zoning assumptions are updated in isolation from infrastructure planning, while strategic documents age quickly and are not refreshed at the pace required for reliable decision-making.
- State, local and utility planning processes are misaligned, and utility providers and distributors are not consistently integrated which leaves critical water, sewer and transport requirements unknown (and unfunded) until far too late.

The impact:

- Misaligned zoning and densities drive inefficient investment, pushing growth into areas that cost far more to service (due to distance from existing trunk infrastructure) and diverting scarce public funds from locations that could maximise existing network capacity. Infrastructure Victoria analysis from 2023 found new growth-area infrastructure can cost up to four (4) times more than adapting existing networks.
- Approvals often fail to convert into homes because land-use decisions are in some cases made without clear servicing pathways or market feasibility. This dynamic is producing approvals that are often undeliverable or delayed for years.
- Contribution systems cover only a small share of real infrastructure costs, leaving the majority dependent on public funding that is neither tied to development sequencing nor available when growth fronts need it. For example, Victoria's Growth Area Infrastructure Contribution was designed to meet only up to 15 per cent of growth-area infrastructure needs, with the remaining 85 per cent left to compete for untied state capital.
- With most funding sitting outside contributions and outside development timelines, there is no reliable trigger for early infrastructure, forcing governments and utilities into reactive, late and higher cost upgrades that slow delivery and reduce system productivity.

Issue 2: Decoupled infrastructure delivery from sequenced development

The issue:

This issue arises at the delivery stage in the back end of the planning and development system where the enabling infrastructure (both direct and indirect) needed to turn zoned land into homes is not delivered in the right place, at the right time or in the right sequence. Even when land is zoned with approvals in place, housing cannot proceed because essential infrastructure is unknown, delayed or unfunded. This creates systemic failure and forces governments into higher-cost interventions.

As a result, uncertainty and delays slow housing delivery, and opportunities to sequence and stage development that maximises the return on public investment and respond to market demand are missed to the detriment of the new and renewing communities experiencing growth.

The dynamics:

- Infrastructure planning and budgeting lag land use decisions, with long lead times, multi-year funding cycles and fragmented responsibilities meaning enabling infrastructure rarely aligns with the time and place for housing development that is ready to proceed.
- This leads to complex funding pathways that are slow and unpredictable where the funding case often needs to be made and re-prosecuted. This dynamic causes essential infrastructure to be deferred or scaled back rather than delivered as originally planned upfront.
- Private sector feasibility and staging realities are not reflected in supply pipelines, leading to misguided infrastructure investments occurring in development fronts or renewal sites that are misaligned with market demand. The consequence of this system dynamic is slower conversion of zoned land into more homes.
- Despite operating under significant fiscal constraints, governments at all levels across Australia are now more than ever before having to step in and fund infrastructure for growth that should have been better sequenced and staged from the outset.

The impact:

- Instead of maximising investment, public agencies are consistently needing to reprioritise spending on late, higher cost delivery for essential infrastructure to enable more homes. Infrastructure Australia's 2025 Infrastructure Market Capacity Report found that the nation's five-year Major Public Infrastructure Pipeline escalated 14% over the previous year to reach $242 billion with non-labour costs continuing to increase.
- The Victorian Urban Development Program in 2025 recorded 165,671 lots of zoned, Precinct Structure Plan-backed residential land sitting undeveloped across Melbourne's growth areas while only 18,543 lots were titled in 2024, a conversion rate that fell from 22,727 lots two years earlier and leaves close to a decade of zoned supply stranded behind servicing and infrastructure constraints.

- Residential zoned land is unhelpfully pointed to as realistic supply in the development pipeline despite its unlikely translation into homes on the ground given the early (strategic) and back end (delivery) misalignments articulated above.
- New and renewing communities are at greater risk of experiences delays or lacking access to services and infrastructure to meet their daily needs.

Issue 3: Inconsistency and inefficient infrastructure charging frameworks

The issue:

Fiscal constraints are limiting the public contribution to infrastructure at the same time as market feasibility is being squeezed by escalating construction costs and persistent labour shortages. As a result, both public and private funding sources are under simultaneous pressure. This is widening the gap between what infrastructure actually costs to deliver and what either party, developer or public entity, is willing to pay.

Underlying this is a set of unresolved questions regarding determining need and demonstrating nexus – specifically, who funds what and when for the initial enabling infrastructure needed to get development moving.

The dynamics:

- There is a unifying principle nationally that as part of the development process, the responsible authority will collect contributions towards a piece of infrastructure and deliver it when needed. However, there is no consistent mechanism for funding enabling infrastructure.
- Jurisdictions rely (usually) on either capped charges for infill or negotiated precinct/project-based contributions for expansion areas (via Infrastructure Contributions Plans or Infrastructure Agreements), creating a patchwork of different approaches nationally.
- The reality is that trunk and enabling works need to be delivered upfront, before development generates the contributions that would ordinarily pay for them. Neither local government, state government or utility providers can comfortably absorb the upfront cost, especially where there are multiple development fronts, and there is no consistent framework for how that risk is shared in the contributions systems.
- Where a development entity is willing to deliver the works in kind, the responsible authority will need to provide monetary reimbursement or apply offset credits with the developer upon completion of works.
- The use of fixed contributions further exacerbates the issue, as these rates are set at a point in time and only adjusted for inflation thereafter.
- Contributions are also hypothecated for specific precincts, with councils typically responsible for funding the shortfall to deliver the enabling infrastructure. Although contributions plans should be reviewed every five years, the review cycle is not consistently adhered to in practice.
- While there have been some attempts for infrastructure contributions to fund the financing costs of a responsible authority delivering enabling infrastructure, this is predominantly for precinct-wide enabling items and it is not often clear which infrastructure is covered.

The impact:

- As a result, both the contributions already collected, and those still to come, sit further from the real cost of delivery, and the value of the contribution erodes with time as the funding gap widens.
- For example, a contribution indexed only to inflation falls roughly one percentage point behind real delivery costs each year in normal conditions, but that rises to four to five percentage points a year in cost shocks such as 2022 and 2023 where escalation reached 5.7 and 8.2 per cent. Where the five-year review does not occur, the estimated cost can sit well below the cost of delivery before a single asset is built.
- In June 2025, the NSW Auditor General found that Councils held over $5.4b in unspent local infrastructure charges, with most Councils spending less than 20% of their balance in the 2025-25 financial year. Part of the reason for this outcome is the requirement for Councils to fund the shortfall required to deliver the infrastructure, and the inability of Councils to effectively deploy the proceeds by shifting funding to higher priority precincts. Further, shortfall between fixed rates and real costs falls back on the local government or responsible authority.
- Delivery stalls where enabling infrastructure is unfunded or delayed with no proponent willing to move first or until costs are certain. Furthermore, by the time sufficient contributions are collected the real cost has escalated, reducing the supply of development-ready land and ultimately slowing housing delivery.

Issue 4: Fragmented post-approval systems

The issue:

The downstream approvals needed to turn an approved development into serviced, turnkey housing land are disjointed and spread across multiple authorities, creating a fragmented, slow and uncertain pathway from planning approval to actual delivery.

The dynamics:

- Securing a planning permit or development approval is only the first step amongst many.
- Before land can be serviced and built on, a further series of approvals is required, including a plan of subdivision certification, engineering and earthworks approvals, functional layout and detailed design, approval of any relevant conditions and any associated agreements (such as infrastructure agreements).
- Post development approval requirements sit with different agencies and organisations and are, more often than not, dealt with sequentially rather than in parallel.
- Water, sewer, power and telecommunications connections each require separate assessment and sign-off from the relevant utility or referral authority, often on their own timeframes and with their own standards.
- Ultimately, there is no single coordinated pathway that holds these approvals together, so the proponent carries the burden of progressing each one and resolving the conflicts between them.

The impact:

- Since these approvals are disjointed, a delay or change in any single approval can revert through to the others, requiring rework of design, re-staging of delivery or re-engagement with an authority that has already assessed the matter and who routinely increase their scope, revise interests and re-prosecute decisions.
- As a result, the actual delivery of turnkey either stalls or becomes unpredictable, because the critical path runs through multiple separate authorities which reduces the rate at which approved development converts into habitable homes.
- It is noted that the research paper undertaken by the Productivity Commission in 2025, 'Housing construction productivity: Can we fix it?' provides a wealth of evidence demonstrating the impact that post permit approvals have on translating supply to homes on the ground.

Note the various land use and infrastructure tools relevant in practice to the matters raised in this submission:

- statewide infrastructure plans,
- statutory and non-statutory regional growth management plans,
- regional infrastructure planning,
- standards for integrated land use and infrastructure modelling,
- network plans for utilities (critically water and sewer),
- transport planning,
- open space network planning,
- community facilities thresholds,
- local, state and federal road planning,
- local government infrastructure plans,
- infrastructure contribution plans,
- coordinating infrastructure agreements,
- capacity thresholds for state/territory delivered education, health and emergency services and infrastructure, and
- benchmark costings.

Our recommendations

The fundamental issues outlined above warrant national stewardship as they present the most immediate opportunities to improve productivity and provide greater certainty for both public and private investment. Addressing these systemic barriers in a coordinated manner, alongside broader reforms to the planning and building system, is critical to materially improving outcomes and unlocking more homes, sooner.

We have utilised our direct experience working across multiple juridictions to draw insights as outlined in this submission and identify eight (8) recommendations (that cut across the four (4) themes) for the Productivity Commission's consideration through this Inquiry.

Theme 1: Integrated land use and infrastructure strategy

Recommendation 1.1: Leverage technology for dynamic modelling to inform realistic supply pipelines

Recent and rapidly evolving digital innovations now make it possible to model complex land-use and infrastructure systems in ways that were previously impossible.

These tools can integrate heat-mapped capacities for trunk and non-trunk infrastructure, model development and build-out rates across multiple growth scenarios, incorporate feasibility assumptions (such as cost escalation and land value changes), and combine these with strategic planning, zoning and overlay requirements from the macro (regional, city/town or suburb) through to micro (site-specific) scale. Bringing these inputs together in a single digital model enables iterative, real-time updating as conditions change (such as shifts in land and tax policy and market supply and demand dynamics).

Governments can now work with a live, interconnected evidence base rather than static, siloed datasets, producing a far more accurate picture of real development potential and infrastructure readiness. This richer evidence base allows for more targeted, relevant and responsive policy. For a complex public policy challenge like housing, where many interdependent factors must align to materially shift outcomes, the ability to plan for real supply and detect emerging constraints earlier is critical. For the first time, digital capabilities make it possible to intervene sooner, measure impacts and deliver more homes where and when needed.

Further, this digital capability makes it possible to measure the value of staged and sequenced delivery, support transparency in decision-making for land use and investment priorities and create a shared platform to authentically engage with communities and industry about urban growth.

Recommendation 1.2: Performance-based funding for jurisdictions using integrated land use and infrastructure modelling to track realistic supply

A competitive, performance-based funding approach would incentivise jurisdictions to adopt integrated land-use and infrastructure modelling that provides a realistic, service-ready view of housing supply.

This approach would require jurisdictions to track development potential (reflecting genuine capacity after planning controls, including overlay applied over base residential zonings, feasibility analysis, infrastructure constraints and market demand are accounted for). Commonwealth funding can then be directed to optimise the return on infrastructure investments supported by evidence and quantified value, rather than theoretical pipelines.

This approach shifts the system toward measurable supply outcomes and improves national visibility of where existing capacity can support new housing, and where and when new expansion areas will be developable to optimise value. It creates a clearer, more accurate line of sight between planning decisions to real supply outcomes. Adopting this approach also ensures that the growing expectation for the Commonwealth to fund infrastructure traditionally delivered by state, territory and local governments is better managed. A performance-based model provides transparency and ties investment to credible data and delivery of measurable outcomes

Recommendation 1.3: Set a minimum standard for the capture and reporting of supply pipelines based on realistic take up rates, not theoretical capacity

This recommendation calls for a national minimum standard for capturing and reporting housing supply pipelines based on realistic take-up rates rather than theoretical zoning yield.

The standard would require jurisdictions to apply consistent modelling inputs, including binding planning controls, overlays, feasibility thresholds, infrastructure network capacity, servicing lead times and market absorption rates, to determine genuinely developable and serviceable capacity.

This creates a comparable, technically robust nationally harmonised supply dataset that improves forecasting accuracy, strengthens infrastructure sequencing and investment decisions, and provides the Commonwealth with a reliable view of when and where housing supply can actually be delivered.

Theme 2: Coupling infrastructure delivery with sequenced development

Recommendation 2.1: Reward sequenced development with incentives that improve project feasibility and carry a "use it or lose it" condition

This reform is geared towards improving the market feasibility of housing projects by providing targeted, timebound relief that directs development toward areas where infrastructure networks have a lower marginal cost to increase capacity and where delivery aligns with government-endorsed infrastructure plans.

This recommendation also responds to the reality that the bulk of new homes (approximately 95 per cent) in Australia are delivered by the private market and that interventions must therefore materially change feasibility of housing projects. Targeted relief must have strict "use it or lose it" conditions to mitigate risk and drive activity.

In a constrained fiscal environment and amid a national public policy challenge driven in part by stalled or no longer unviable private housing projects, incentives should prioritise development in locations that minimise additional new public infrastructure and max out existing network capacity. Targeted relief (such as infrastructure contributions relief, reduced holding costs and fast-tracked assessment processes) can be used to improve feasibility for projects in service-ready areas, accelerating take-up and reducing pressure on governments to fund costly, out-of-sequence upgrades.

By tying support to locations with verified network capacity and alignment to local, state and national infrastructure planning, this reform ensures public investment is leveraged efficiently and lifts the rate at which zoned land (infill and greenfield) converts into homes for more Australian's sooner.

Recommendation 2.2: Increased agency accountability for delivering in line with planned commitments to limit rising costs due to delays

In Australia's current housing environment, delays equal cost escalations which change project feasibilities and stall supply of new homes.

This reform is designed to strengthen accountability across delivery agencies by requiring jurisdictions to better track the sequencing, servicing and delivery of infrastructure in line with planned commitments. Specifically, this recommendation introduces a commitment to better funding performance management in states and territories. Delivery lacking discipline or coordination has material consequences and results in less homes being built.

By enforcing discipline and rewarding good performance, the system would be better orchestrated to avoid foreseen delays and their very real impact in driving up costs and impacting housing supply.

Theme 3: Consistent and efficient infrastructure charging frameworks

Recommendation 3.1: Calibrate charging rates for sequenced versus out-of-sequence development

This recommendation proposes that jurisdictions recalibrate infrastructure charging frameworks to differentiate clearly between sequenced and out-of-sequence development, recognising that unplanned or premature growth fronts impose significantly higher servicing costs on governments and utilities.

Australia's current infrastructure charging and developer contributions systems do not adequately incentivise development that maximises existing network capacity, nor do they discourage growth that leapfrogs long-planned infrastructure programs and triggers expensive, inefficient spending.

In the national interest, infrastructure charging frameworks should reflect the real cost and sequencing realities of growth to ensure public funds are directed to the most cost-effective areas for growth.

Aligning charges with the true cost of servicing through this reform would drive more efficient land-use patterns, reduce fiscal pressure on public investment, and accelerate housing delivery. This would include providing Councils with the ability to prioritise contributions to precincts within their jurisdiction, to ensure delivery aligns with land use changes.

Recommendation 3.2: Set a standard for equitable and efficient infrastructure charging frameworks

Any minimum performance standards developed in the national interest to drive a better housing supply regulatory framework must include a view on the most equitable and efficient approach to charging across different development settings to drive reforms across states and territories.

Recommendation 3.3: Seed fund a revolving facility with the Federal Government's $2 billion commitment to enabling infrastructure

This recommendation proposes that the Federal Government establishes a revolving facility that can forward fund the delivery of critical enabling infrastructure in growth areas, rather than providing grants. States, Councils and landowners/developers could contribute over a specific period of time to repay the fund for a portion of the value the infrastructure contributes to their developments.

The contributions could be calibrated as per Recommendation 3.1 and 3.2. Certainty of upfront funding and the ability for contributions to be paid later in the development cycle once development has occurred, would reduce feasibility constraints, accelerating housing delivery and certainty of delivery in prioritised growth areas.

Theme 4: Coordinated post-approval systems

Recommendation 4.1: Set a minimum standard for monitoring performance of approvals across the entire development and permit approval lifecycle

This recommendation establishes a minimum national standard for monitoring performance across the entire development and permit approval lifecycle, ensuring jurisdictions provide transparent, end-to-end visibility of how efficiently land moves from strategic planning to serviced, developable supply.

The post-permit phase (including utility servicing decisions, development service schemes, subdivision clearances and occupancy certification) is routinely under-monitored despite being a major source of uncertainty and delay.

The Productivity Commission should, as part of its examination of housing supply regulatory settings, identify mechanisms to require more transparent reporting and performance management of these downstream, siloed decision points that materially affect the timing and feasibility of delivering homes.

We thank the Productivity Commission for the opportunity to contribute to the discussion on Australia's prevailing public and private challenge in bringing forward genuine new housing supply at scale.

The Create Advisory team would welcome the opportunity to discuss our submission further.

Yours sincerely

Tess Pickering
Principal